

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

LEA MÁRQUEZ PETERSON, Chairwoman
 SANDRA D. KENNEDY
 JUSTIN OLSON
 ANNA TOVAR
 JIM O'CONNOR

IN THE MATTER OF POSSIBLE
 MODIFICATIONS TO THE COMMISSION'S
 ENERGY RULES

Docket No. RU-00000A-18-0284

Western Resource Advocates' (WRA) Comments on Reconsideration of the Energy Rules

In November 2020, the Commission voted to commence formal rulemaking on the proposed Energy Rules. On May 5th, the Commission voted to pass Commissioner Olson Amendment No. 4 that made the provisions within 2704(B) of the Rules optional, voluntary goals, instead of standards.¹ This included the energy efficiency provisions, carbon dioxide reductions, and energy storage requirements. The passage of that amendment so weakened the Rules that they failed to maintain the support of the majority of commissioners and failed after years of work by Commission Staff, utilities, and numerous stakeholders. On May 11th, Commissioner Kennedy called for reconsideration of the Energy Rules.² On May 12th, Chairwoman Márquez Peterson filed a detailed letter in the docket regarding this request.³

The Chairwoman's letter makes a number of statements regarding the financial impact of the proposed Energy Rules. WRA, as well as other stakeholders, have made prior written and verbal comments that address all of these concerns, but some bear further comment here.

The Energy Rules in no way provide a "blank check" to utilities. There is no prudence determination contained within the Energy Rules. Prudence is determined within a subsequent rate case, not within the Rules. The Rules simply create a destination. They do not dictate to the utilities how to get there or by what means. The utilities still have to make procurement decisions regarding different resources at different times, all of which will undergo a prudence determination within a forthcoming rate case. WRA's own modeling, filed in this docket previously, reflects that a technology neutral, carbon dioxide emissions reduction standard, is the

¹ Commissioner Olson Amendment 4, *available here*
<https://docket.images.azcc.gov/E000013333.pdf?i=1620931313302>.

² Commissioner Kennedy Letter, 5.11.2021, *available here*
<https://docket.images.azcc.gov/E000013454.pdf?i=1620931313302>.

³ Chairwoman Márquez Peterson Letter, 5.12.2021, *available here*
<https://docket.images.azcc.gov/E000013466.pdf?i=1620931313302>.

least cost way to decarbonize the electric sector.⁴ And decarbonization is essential. Waiting another five, ten, or more years to take climate change seriously will result in greater cost than planning appropriately ahead of time.

Further, the Energy Rules already protect Arizona ratepayers from unanticipated price spikes. R14-2-2716 of the proposed rules contains a provision that allows the Commission to waive compliance by a regulated utility if the costs of compliance exceed the benefits. Indeed, even without that specific safeguard, *the Commission has the authority to waive compliance with its own rules when necessary, to maintain affordability or reliability.*

In addition, the Commission has hired Ascend Analytics to analyze the Final 2020 Integrated Resource Plans (IRP). The Commission just increased the scope of that contract to include a cost analysis of the Energy Rules. There is currently no evidence that optional goals are more cost effective than standards. It would be prudent to obtain the results of the Ascend Analytics report before making such a drastic and unsubstantiated change to the Rules. As the Commission has voted in favor of other amendments that would require a supplemental rulemaking, it is plausible for the Commission to undergo that supplemental rulemaking, while awaiting the results from Ascend Analytics, as was previously anticipated in Chairwoman Márquez Peterson's March 30, 2021 letter filed in the Energy Rules docket. In that letter, she stated, "Accordingly, I believe a cost analysis and any supplemental rulemaking can-and should-move forward in parallel, with a final vote on both the IRPs and Energy Rules occurring this fall, per the Hearing Division's timeline."⁵

The Commission can commence with supplemental rulemaking without Commissioner O'Connor Amendment No. 3 or Commissioner Olson Amendment No. 4. With these comments, WRA is proposing a new amendment, WRA Amendment No. 3, for consideration in an attempt at reaching compromise. Commissioner O'Connor has previously stated that there is uncertainty about the technology that will be needed to decarbonize the last 20% of the electric sector and its associated costs. WRA Amendment No. 3 proposes to change 2704(B)'s carbon standard from 50% by 2032, 75% by 2040, and 100% by 2050 to 80% by 2035. This is favorable because it drives the carbon dioxide reductions needed to comply with climate science, is achievable by the utilities based on their own IRPs,⁶ and avoids the uncertainty and costs of the last 20% of decarbonization.

WRA supports reconsideration and moving forward with the Energy Rules without Commissioner Olson's Amendment No. 4. WRA continues to support adoption of WRA Amendment No. 1⁷ to strengthen the definitions in the proposed Rules and WRA Amendment

⁴ Comments of WRA on the Energy Rules Proposed Rulemaking, 1.22.2021, *available here* <https://docket.images.azcc.gov/E000011307.pdf?i=1621102282161>.

⁵ Chairwoman Márquez Peterson Letter, 3.30.2021, *available here* <https://docket.images.azcc.gov/E000012547.pdf?i=1621102282161>.

⁶ Comments of WRA on the 2020 Final IRPs of TEP and APS, 10.15.2020, *available here* <https://docket.images.azcc.gov/E000009559.pdf?i=1621141866836>.

⁷ WRA Exceptions to the ROO Filed April 19, 2021, 4.29.2021, *available here* <https://docket.images.azcc.gov/E000013190.pdf?i=1621102282161>.

No. 2⁸ to strengthen the Recommended Opinion and Order (ROO) against a possible legal challenge should the Rules pass. WRA Amendment No. 3, which we also support, is attached to this filing.

Submitted this 17th day of May 2021.

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⁸ WRA Notice of Filing Proposed Amendment to the ROO Filed April 19, 2021, 5.4.2021, *available here* <https://docket.images.azcc.gov/E000013362.pdf?i=1621102282161>.

WESTERN RESOURCE ADVOCATES PROPOSED AMENDMENT NO. 3

TIME/DATE PREPARED: May 17, 2021

COMPANY: Arizona Corporation Commission

AGENDA ITEM NO.:

DOCKET NO.: RU-00000A-18-0284

OPEN MEETING DATE:

Purpose: Adjust the carbon emissions reduction target in the Energy Rules published in the Arizona Administrative Register by the Arizona Secretary of State on December 18, 2020, attached as Exhibit A to the ROO filed April 19, 2021.

R14-2-2704 Clean Energy Implementation Plan

Page 3217, DELETE subsection R14-2-2704(B)(4) and

INSERT new subsection R14-2-2704(B)(4):

“4. At least an 80% reduction in Carbon Emissions below its Baseline Carbon Emissions Level by January 1, 2035.”

Page 3218, Under R14-2-2704(C)(2)

After “three calendar years to meet” **INSERT:** “, or make reasonable progress to meet,”

Page 3218, Under R14-2-2704(C)(3)(i)

After “Baseline Carbon Emissions Level” **INSERT:** “and if said reductions are less than 16%, then the Electric Utility shall include an explanation as well as its plan to meet the requirement in subsection (B)(4)”